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Business Conditions and Forecasts

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President's Scratchpad

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On Keeping the Job Difficult

A WIDELY accepted definition of inflation is that it is an increase in the supply of money without a corresponding increase in the supply of goods and services. The causes of the inflation that now grips our economy are open to argument; it has been variously blamed on high wages, profiteering, the government debt, and on combinations of these and other causes. But on one thing everyone agrees: The way to minimize inflation is through increased production.

While there is much in management's contention that inflation has been greatly stimulated by unwise demands for and grants of wage increases and by reduced productivity on the part of industrial workers, would it hurt if we managers turned the light of inquiry upon ourselves for a time and asked: What is *management's* responsibility for inflation, and what can management do to overcome it? This is without reference to pricing, dividend or even wage policies. Probably the central tap-root of inflation is scarcity—scarcity that causes the bidding up of prices and wages.

The greatest potential for the defeat of inflation lies within the control of management. That potential is the power to produce more. During and since the close of the war, hundreds of individual companies have performed miracles of production under seemingly impossible handicaps. But large numbers of other organizations have suffered from curtailed production.

It is human for management to point to wage increases and low productivity as causes of inflation. But management cannot throw up its hands and exclaim that these far-reaching factors make its own job of inflation control hopeless.

We in management ought to realize, and admit, that as a class of workers we are a privileged lot. We are accorded more in the way of compensation, position, security, and perquisites of various kinds than the industrial worker on the line. We take pride in our intellectual acumen, our training, our ability to think; we have power over other men's lives which we try to exercise moderately and rationally. Because of all this—the privileges and the investment that has been made in our development—we should *expect* to do hard jobs, creative jobs, sometimes "impossible" jobs. Not easy ones.

If low worker productivity prevents a company from getting production, can management excuse itself by saying the workers won't produce? Getting workers to produce is part of management's job, and

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General Outlook

Business commentators now expect the boom to continue through 1948, at least. Here and there, it is true, supply has been catching up with demand, but in such key industries as steel, automobiles, and construction no slackening is apparent or foreseen.

Also on the upturn side are employment and income figures. Jobs reached a record high peak in June, topping 61,000,000. For the first four months of the year, national income showed a 13.7 per cent increase over 1947, and the upward movement is expected to continue.

Inflationary trends, in fact, seem stronger than ever. Price increases have already been announced on a number of important items, and more are expected. With the failure of efforts to stave off a general third round of wage increases, and the probable increase in costs due to the change in the steel pricing system, it is unlikely that a considerable rise in business expenses can be prevented.

Construction

Total number of dwelling units started in May was 97,000, the highest figure on record, and almost 25,000 more than the number for the corresponding month last year.

New building permits issued in May topped May, 1947, by 63.9 per cent (Dun & Bradstreet, 215 cities).

Prices

The Bureau of Labor Statistics cost of living index hit a new high in May—170.5, with the largest advances occurring in the food and clothing components. Declines were registered in house furnishings and the "miscellaneous" component.

Research

Application Forms

Many personnel executives are aware of the possible shortcomings of the application forms they are using but hesitate to change them because the questions are traditional, because no immediate means of checking results is available, or because the forms are "inherited," and long-established use has imparted an appearance of validity to them.

AMA has currently been reviewing application forms from several hundred companies. Many of them are formidable documents requiring the candidate to give details of his personal history that must appear to him to be unrelated to the business on hand. Moreover, little space is allowed, in most cases, for him to present his work experience and skills. For example, AMA finds questions like these recurring:

- Have you any defect in speech? Hearing? Sight?
- Are you a cripple? Explain handicap.
- Among brothers and sisters when were you born?
(Example: 2nd of 3)
- Were you reared in city, town, or country?
- How did you finance your education?
- In what social or scholastic activities did you participate in school?
- What honors did you win?
- What was your standing in class—i.e., highest, 2nd, 3rd, or 4th quarter?
- Do you have any dependents? Give names, birthdates, addresses.
- Do you rent, board, or own your own home?
- Do you live with parents? Wife or husband? Alone? Relatives?
- How much rent do you pay?
- Do you own your own furniture?
- What is your share in financial support of home?
- What income do you have other than your salary?
- How much of your monthly income do you save?
- What debts do you have?
- Is your wife employed? Where? Salary received? What is wife's father's occupation?
- What is your father's name? His occupation? Where is he employed?
- Give names of your brothers' and sisters' employers.
- Give name, present address and birthplace of your mother-in-law and father-in-law.
- If married, were you ever separated? How long? Were you ever divorced? How long?
- What is your principal asset?
- What is your principal shortcoming?
- Rate yourself as good, fair, or poor on:
 - (1) Habits
 - (2) Attendance
 - (3) Safety
 - (4) Want-to-learn
 - (5) Cooperative attitude

The frequency of such personal items on application forms may reflect the problem that more turnover is caused by personality factors than by lack of work competence. But many psychologists believe these questions do not bring to light anything significant about an applicant's personality. Emphasis on school achievements may have little meaning for the adult applicant. Certainly, self-rating scales are not valid in this situation. Nor is there any generally established correlation between personality traits

and the occupational level of members of an individual's family, his present home environment, his position among siblings, or even his early background. *It is not the experiences of the individual that affect his personality, but how he reacts to them.* While it is true that a well-rounded personal history would be valuable subsequently in counseling with the future employee, it is better to get that information when the need arises. If it is not possible to obtain a frank statement at such a time, there is not the rapport to make any counseling effective.

Proper timing—With some exceptions, the personal items listed above would be appropriate to consider in relation to certain jobs, or to obtain in a personal interview. Some of them—for example, those regarding financial status—are pertinent for employment in banks and similar establishments, in companies where a bond application must be made upon employment, where the employee would be working on a drawing account or where the company makes a field investigation before employing candidates. In these instances, the excellent approach of some companies may be followed to advantage: Several of the application forms examined by AMA include a notation before each group of questions informing the applicant of the tie-up between them and the job he is seeking.

One reason for asking personal information on application forms is that the same form is commonly used for all applicants, regardless of occupational classification. Thus, personal data which may be needed for certain jobs is routinely required of everyone. To avoid this, some companies use separate forms for major job groupings, such as executive and supervisory, sales, professional and technical, production, clerical, etc. Others use the same form for all applicants but supplement it with sheets designed for the various occupational groups. One of these plans, of course, is essential if the company uses a weighted application form. In that case, the personal items have been validated for particular jobs and found to contribute materially to the selection process. Another device for obtaining relevant personal information is a patterned interview record which is later attached to the application form. The timing of the personal questions is, with these methods, more appropriate than when they are asked on the application form.

Space for work history—Quite a few companies have successfully overcome the fault of many application forms—that is, insufficient space for the applicant to record his experience. The usual chronological summary of employment is helpful in getting an impression of the applicant's over-all experience, his continuity of employment, the variety of jobs he has held, etc. Such a record, however, throws little light on the individual's specific qualifications as there is generally room for him to write in only job titles and the briefest comment on his duties. By eliminating unproductive personal questions it is possible to allow more space to the work background.

It is good practice to keep the application "job-centered," using personal items only when they bear directly on qualifications for employment. The form cannot assess personality or social adjustment, nor can it take the place of a character investigation. In fact, many applicants know how to give the "right answers."

Listening Post



JAMES O. RICE

America, speaking at the AMA Insurance Conference (May 24-25, in Atlantic City), "we have come substantially to a more modern doctrine, *caveat venditor*, let the vendor beware."

In one case cited by Mr. Crawford, an infant was badly burned in a fire that began when a croup kettle became dry and overheated. The infant's mother alleged an express warranty on the part of the vendor and negligence on the part of the manufacturer in failing to provide a thermostat to interrupt the flow of electricity as soon as the temperature became dangerous. "The appellate court sided with the plaintiff and held there was a *prima facie* case of negligence on the part of both defendants," Mr. Crawford said. "I am told that a verdict of \$65,000 was returned. One wonders whether the same principle might not apply to many common household articles—the electric iron, the toaster, even the lowly stewpot and steam kettle, which will also burn when the water has evaporated."

Even when the verdict goes in his favor, the defendant is often put to considerable expense, Mr. Crawford pointed out. "When the Jones Store Company sold a \$1.98 colored blouse back in October of 1938, it probably rang up the sale and considered the transaction closed. But things didn't work out that way. Five years and four months later the transaction finally came to an end and favorably, at last, for the store. In the meantime, it had been sued and held liable for \$3,000 damages for an infectious dermatitis attributed to a harmful element in the dye. The store lost the second round too, as the appellate court also believed the plaintiff should recover. It took the Supreme Court of Missouri to bring the matter to its final conclusion. Just imagine the overhead on that sale."

"Recent decisions are eroding the security of the once useful defense that the plaintiff's injury was due to an idiosyncrasy or peculiar susceptibility to things which are not generally productive of harmful results. Thus, in a most recent lipstick case, the court said: 'The mere fact that only a small proportion of those who use a certain article would suffer injuries . . . does not absolve the vendor from liability . . . otherwise, in every action to recover damage for the breach of an implied warranty, it would be necessary to show that the article sold . . . would be injurious to every user.'"

Research in industrial relations—Two articles in preceding issues of this paper listed industrial relations research projects now under way in American

universities, and concluded by suggesting some ways in which the work might be made more valuable to industry.

A correspondent, who is supervisor of industrial relations research for a large corporation, points out that industry itself has been missing a bet by not cooperating more closely with the universities in this field.

"Exposure to the university field," he writes, "indicates that the researchers recognize the faults of their work and are the first to admit them, and that they are sincere in their desire to have more exposure to, and cooperation with, industry. As one man put it, 'It is unfortunate that the university psychologist is forced to validate employment tests on college students.'"

"My own personal belief and that of my company's industrial relations department is that we need to take a more active part in assisting the universities to do a good job of basic research. We believe this cooperation should take several different forms, such as:

"1. Being sufficiently acquainted with university activities and personalities for frequent exchange of ideas.

"2. Being constructively critical, on a friendly, objective basis of the university activities. Only by providing and permitting ideas from industry to color the scene can we expect results compatible with our needs.

"3. Providing proper experimental environments for sound projects.

"4. Sharply differentiating in our own thinking between *applied* and *basic* research areas. The study of factors of human motivation belongs in the academic field, and it is industry's job to do some applied research of its own volition.

"5. Authorizing some member of the company to keep in touch with the field—and one or two favored alma maters can't be called sufficient exposure.

"6. Providing funds for specific projects. Knowledge of human problems has lagged sadly behind technological progress. If companies begin spending as much money on human research as is spent on technology, the gap will quickly close.

"It seems to me that we cannot sincerely criticize the universities without at the same time criticizing ourselves. We perhaps are more delinquent than they."

J. O. R.

Plans Now Under Way For Fall Conferences

The AMA Personnel Division Planning Council is now formulating plans for the Fall Personnel Conference, to be held September 23 and 24 at the Hotel Pennsylvania, New York City. John Stephens, Vice President, U. S. Steel Corporation of Delaware, and AMA Vice President for the Personnel Division, is in charge of arrangements.

The Office Management Division Planning Council will meet on July 29 to discuss arrangements for the Office Management Conference on October 26 and 27 at the Hotel Pennsylvania. Coleman L. Maze, Vice Chairman, Department of Management and Industrial Relations, New York University, is Vice President for the Division.

Activities of the AMA

J. D. Malcolmson Heads AMA Packaging Division

J. D. Malcolmson, Technical Director of the Robert Gair Company, Inc., has been chosen AMA Vice President for the Packaging Division, to succeed the late Edgerton A. Throckmorton.

Mr. Malcolmson has been with the Robert Gair Company since 1922. He was graduated from the University of Kansas with a degree in chemical engineering, and later was a Fellow of the Mellon Institute of Industrial Research, Pittsburgh, Pa., where he carried on the first technical study of the corrugated box ever made.

In 1944, Mr. Malcolmson organized the Technical Section of the Paperboard Division, War Production Board, and served as its chief. He has also been Chairman of the U. S. Department of Commerce Simplification Committee on Box Board Calipers and on Canned Goods Containers. He has been active in the AMA Packaging Division for some years, and has spoken at several of the AMA Packaging Conferences.

President's Scratchpad

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has been from time immemorial. In today's moral philosophy, it is management's duty to do this by persuasion, by making the *conditions* right.

The term "scientific management" has perhaps given rise to some impression that management is an impersonal science, like physics, chemistry, or histology. As a matter of fact, of all the sciences, management is the most personal. This is so because the use of management principles is within the power of every individual in business, and the efficiency of business is immensely dependent upon the efficiency of the individual. Where efficiency is concerned, the individual person is the beginning of everything. The head of a company is a person. His inefficiency can be enormously hurtful to the enterprise. The department head and the supervisor are persons whose abilities and devotion to responsibility can spell the difference between success and failure for the department.

The individual in management *is* management. His success is management's success; his complacency is management's complacency; his bad performance is management's bad performance. He has great opportunity for accomplishment, and vast resources within his control.

Bearing this in mind, one may appreciate that the history of management must be replete with what may only be described as missed opportunities. This is said in the full knowledge and with complete appreciation of the great achievements that management, and American management in particular, has to its credit.

The state of mind that management must continually combat and which great leaders of American industry have exhorted their associates to fear is a kind of semi-soporific condition which is conventionally termed "complacency."

One chief executive has said: "I like men who after they do well in the job they are in charge of, are willing to *reach out*—reach out to improve upon the methods they are following, or reach out for more responsibilities."

That is his way of saying that one must keep his job hard enough and make it ever harder; that after mastering the basic techniques and routines, one must resist the temptation to fall into soft and easy ways. The secret of the success of great business men is that they keep themselves continuously challenged by their jobs; they never let their work grow easy. Whatever job they take, no matter how easy it appears, they make it more difficult by adding the responsibility of making it more productive and more efficient. These men have been good management.

Looking at the management job from this point of view, one must realize that there have been good, mediocre, and bad managers—meaning good, mediocre, and bad *management*. The good managers have made a great record, which is to the credit of American business. But in totaling up the score for the country as a whole, one can only guess at the amount of economic loss that can be accounted for by the missed opportunities of bad management and indifferent management. Nothing can be gained by deploring these failures; but the challenge of the future to business is: Will it derive the most from the potential that exists by getting the fullest measure of return from the creative ability, resourcefulness, and intelligence that reside within the individual who may be called "a manager"? Here is the richest possibility of development open to the American economy.

A. E. Dodd Receives LL. D. from Temple University

Alvin E. Dodd, Honorary President of AMA, was awarded a degree of Doctor of Laws by Temple University in Philadelphia at commencement exercises on June 17.

H. W. Prentis, Jr., President of Armstrong Cork Company, and a member of the Board of Trustees of the University, presented Mr. Dodd as candidate for the honorary degree at the exercises, describing him as a "member of many industrial, economic and technical organizations, recipient of the Henry Laurence Gantt Memorial Gold Medal for distinguished achievement in industrial management as a service to the community, leader in stimulating greater recognition and acceptance of the social responsibilities of management in our modern industrial age."

"As a result of his years of inspired and effective leadership," Mr. Prentis said, "The American Management Association with its more than 12,000 individual and corporate members today provides a major instrumentality of management progress, a clearinghouse for the exchange of administrative information and experience, a permanent body of management literature, and a common meeting ground for the operating knowledge of the executive with the scientific approach of the technical specialist."

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